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Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 DODE-00 PM-07 H-03 L-03

NSC-07 PA-04 PRS-01 SS-20 USIA-15 SAJ-01 STR-08 DRC-01

/183 W
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R 270826Z MAR 74
FM AMEMBASSY VALLETTA
TO SECSTATE WASHDC 5389
INFO USDOC WASHDC
AMEMBASSY ROME
AMEMBASSY LONDON
USMISSION NATO
AMEMBASSY CANBERRA
AMCONSUL SYDNEY

LIMITED OFFICIAL USE VALLETTA 0581
E.O. 11652: N/A
TAGS: EFIN, MT
SUBJ: BANK OF VALLETTA BEGINS OPERATIONS

REF: A. VALLETTA 380(NOTAL) B. VALLETTA 325(NOTAL)
C. VALLETTA A-22 (NOTAL)

1. SUMMARY: FOLLOWING PUBLICATION OF FY 74/75 BUDGET ESTI-
MATES, MINTOFF ANNOUNCED OPENING OF NEW WHOLLY MALTESE-
OWNED BANK OF VALLETTA BASED ON INFLUX NEW GOM AND
PRIVATE CAPITAL AND ASSETS OF FORMER NATIONAL BANK GROUP.
THIS MOVE WILL BE SEEN BY MANY AS FURTHER ENCROACH-
MENT BY STATE INTO ANOTHER KEY ECONOMIC SECTOR. (HE HAS
ALREADY ESTABLISHED STATE-CONTROLLED AIRLINE, SHIPPING LINE
AND RADIO STATION AND INTENDS SET UP OIL COMPANY).
END SUMMARY.
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2. IN 45-MINUTE TV ADDRESS MARCH 22 PRIME MINISTER MINTOFF ANNOUNCED OPENING NEWLY FORMED BANK OF VALLETTA. AFTER TRACING EVENTS WHICH LED TO CRISIS OF NATIONAL BANK OF MALTA AND ITS TEMPORARY CLOSURE FOLLOWING A RUN ON IT, PM SAID GOM BEGAN NEGOTIATIONS WITH AN ITALIAN BANK, A LIBYAN BANK AND AN AUSTRALIAN-AMERICAN CONSORTIUM TO RAISE CAPITAL NECESSARY FOR REOPENING THE BANKING GROUP UNDER THE NEW NAME , BANK OF VALLETTA. A FIRM OF AUDITORS, DELOITTE AND COMPANY, HAD EXAMINED THE ACCOUNTS OF THE NATIONAL BANK GROUP AND FOUND ITS RESERVES WERE SHORT BY A QUARTER OF A MILLION POUNDS(ONE MALTA POUNDS EQUALS APPROX. DOLS 2.64). THE TEMPORARY COUNCIL OF ADMINISTRATION, APPOINTED BY MINTOFF HAD TOLD HIS IT WOULD NOT BE PROPER TOGIVE A SHARE OF THE NEW BANK TO A FOREIGN INTEREST AND IT WOULD BE BETTER IF THE NEW BANK OF VALLETTA WAS WHOLLY OWNED BY MALTESE.

3. MINTOFF SAID HIS ADMINISTRATION HAD NEVER INTENDED TO TAKE OVER ANY BANK. ONLY CORCUMSTANCES AND AN APPEAL FROM THE FORMER BANK'S BOARD OF DIRECTORS HAD PUSHED GOM INTO TAKING FULL CONTROL. BARCLAY'S HAD WITHDRAWN ITS DECISION TO BUY A PERCENTAGE OF THE BANK OF VALLETTA SHARES TO AVOID A COMMERCIAL BANKING MONOPOLY. (MINTOFF REITERATED THAT BARCLAY'S HAD ALSO OFFERED GOM THE OPPORTUNITY TO BUY 60 PERCENT OF ITS MALTESE SUBSIDIARY.)

4. THE NEWLY FORMED BANK OF VALLETTA IS TO BE 60 PER CENT OWNED BY GOM. THE OTHER 40 PERCENT IS TO BE PASSED ON TO THE MALTA DEVELOPMENT CORPORATION, WHICH WILL HAVE RESPONSIBILITY OF SELLING THIS EQUITY TO MALTESE PUBLIC AT SAME PRICE CORPORATION ACQUIRES IT FROM GOVERNMENT. MDC WILL BUY ITS SHARES AT PRICE WHICH IS 25 PERCENT HIGHER THAN THAT FOR GOM. FORMER SHAREHOLDERS OF NATIONAL BANK GROUP AND BANK'S EMPLOYEES WILL BE GIVEN FIRST OPTION ON 40 PERCENT EQUITY WHICH IS TO BE HELD BY PUBLIC.

5. GOM IS PURCHASING ITS SHARES OF BANK OF VALLETTA AT 3.3 MILLION MALTA POUNDS. WITH THIS SUM, TOTAL ASSETS OF BANK WILL RISE TO 37.8 MILLION MALTA POUNDS. MINTOFF BELIEVES THIS AMOUNT SHOULD BE SUFFICIENT TO GUARANTEE LIMITED OFFICIAL USE

BANK'S LIABILITIES AMOUNTING TO 35 MILLION MALTA POUNDS. IF NECESSARY, HE SAID, GOM IS PREPARED TO PUT ADDITIONAL 3.3 MILLION MALTA POUNDS INTO BANK.

6. WITH OPENING OF NEW BANK MARCH 25, CURRENT AND SAVINGS ACCOUNTS DEPOSITED WITH NATIONAL BANK GROUP TO OPERATE NORMALLY WITHOUT ANY RESTRICTIONS WHATSOEVER. NEW FIXED DEPOSITS WILL ALSO OPERATE NORMALLY. DEPOSITORS WHO HAVE

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FIXED DEPOSITS WITH NATIONAL BANK GROUP HAVE BEEN OFFERED OPTION TO RENEW DEPOSITS AND/OR PURCHASE SHARES IN NEW BANK WITH UP TO 30 PERCENT OF FIXED DEPOSITS.

7. COMMENT: EMBASSY SOURCES HAVE INDICATED FOR PAST SIX WEEKS THAT THE PUBLICITY SURROUNDING REPUTED INTEREST OF AN AUSTRALIAN-AMERICAN CONSORTIUM IN INVESTING IN NEW BANK OF VALLETTA WAS A MINTOFFIAN STALLING TACTIC. IN TYPICAL FASHION MINTOFF LIKES TO PULL MORE THAN ONE RABBIT OUT OF HIS HAT AT A TIME IN ORDER TO CONFUSE AND DISTRACT HIS OPPONENTS. IN THIS CASE HE ANNOUNCED WITHIN SAME WEEK THE GOVERNMENT BUDGET AND THE OPENING OF BANK OF VALLETTA. WITH NATIONALIST OPPONENTS SCURRY-ING BETWEEN THESE TWO MAJOR ECONOMIC INITIATIVES, WE EXPECT LITTLE IN THE WAY OF SUBSTANTIVE CRITICISM DURING FORTHCOMING PARLIAMENTARY DEBATES.GETZ

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